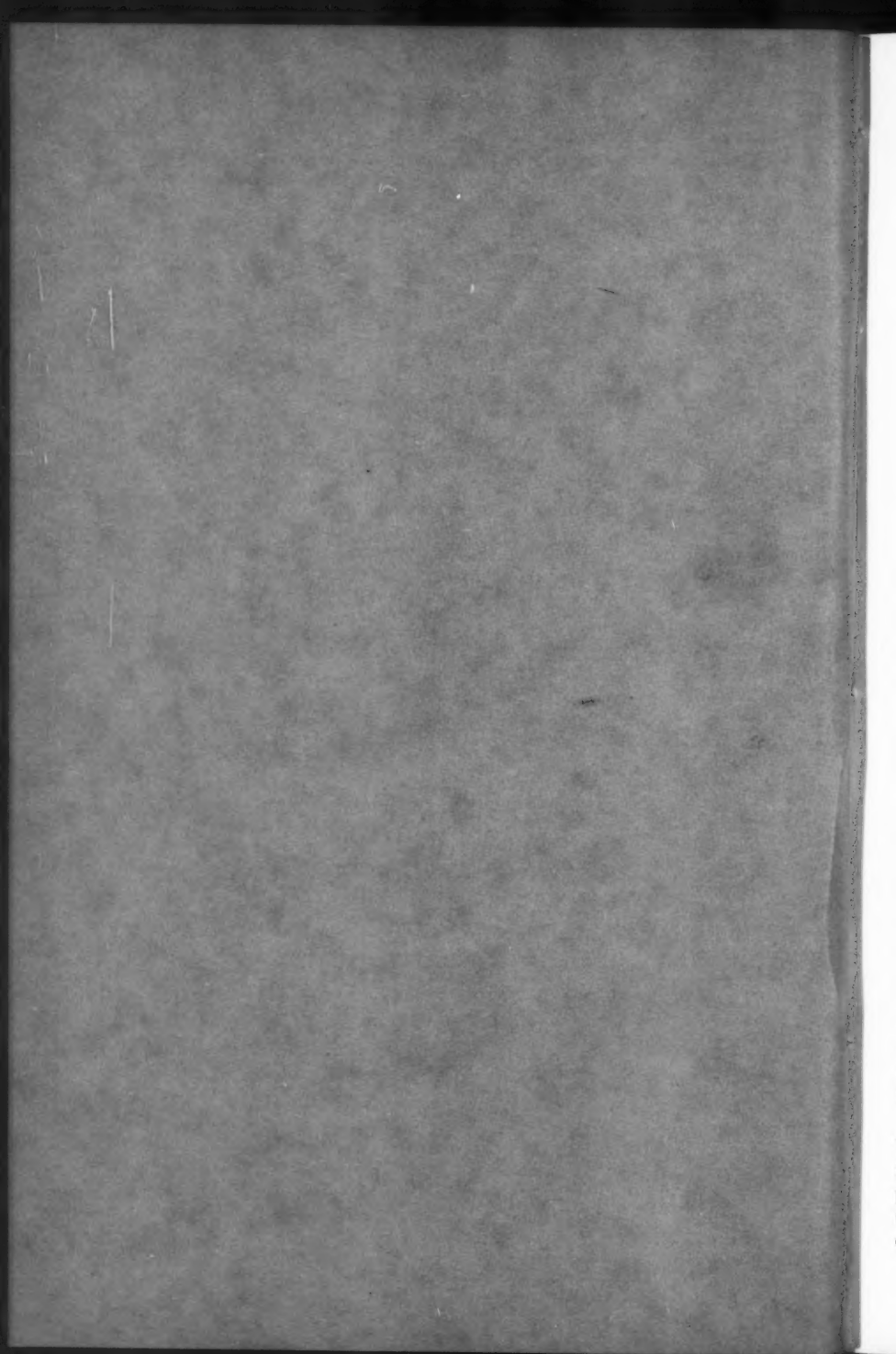

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L. R. B. & M. JOURNAL

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A Professional Birthday Party

As an example of just how deceitful appearances may sometimes be, we cite the case of the Philadelphia office of L. R. B. & M. shortly after noon on Saturday, January 29th. Had a client chanced to enter at the psychological moment he would no doubt have shrunk back from the door in the fear that through some grave error he had wandered into one of those famous dens of iniquity which proved to be the thorn in the side of General Smedley Butler—a Quaker City night club. For in place of the usual quiet reception room, with the private offices opening into it, he would have seen the reception room and several of the adjoining rooms crowded with tables bedecked with snowy-white linen and adorned with bouquets, and dusky waiters scurrying hither and yon bearing food to those seated about the tables. In fact, he would even have heard later the strains of a concealed orchestra of two banjos, and a mixed chorus, coming to him from a room at the back of the office, and would have heard the sound of impromptu dancing coming from the same room. He might well have thought that the firm had abandoned its accounting practice in favor of that of restaurant-proprietorship, for all outward appearances certainly pointed that way.

Such was not the case, however. The occasion for the hilarity and feasting was a "professional birthday party" given by Mr. T. Edward Ross to celebrate the fortieth anniversary of his entrance into the accounting

profession. His guests were the members of the staff of the Philadelphia office, and a group of fellow-members of the profession with whom he had become intimately acquainted during his professional career. It was a happy thought to have the "party" in the office rather than in a hotel or restaurant. There was an appropriateness of setting to the occasion that appealed to all present. The plans were well conceived and worked out admirably.

Luncheon so abundant that it satisfied even the most vigorous appetite, and so delicious that it pleased even the most ticklish palate, was served to create the proper frame of mind for the talks which followed. A movie camera continued to click throughout the meal, so the peculiar style of each individual's knife-and-fork manipulation is indelibly preserved for posterity. Some startling revelations will no doubt be made when the films are developed, and it is not at all improbable that a completely revised set of super-efficient movements for the knife, fork, and spoon will be introduced as a result of innovations recorded by the camera.

The luncheon was a complete success, and it made one thankful that, whatever other ailments he might be afflicted with, indigestion was not one of them. If it is true that "the way to a man's heart is through his stomach" that meal opened the road to many a man's heart.

After the last cup (of coffee) had been drained, Mr. Pugh, who had come all the way from Boston for the

occasion, read a telegram sent by Mr. Adam Ross from Camden. (This Camden is in South Carolina, and must not by any means be confused with that fashionable suburb across the river from Philadelphia which is the home of "His Master's Voice" and the famous "Campbell Twins.") Mr. Ross' message is so good that it is reproduced here in full:

I am sorry that we cannot be at the office Saturday on the occasion of your fortieth anniversary in accountancy. It would give us great pleasure to be there and I am sure it will be enjoyable for all hands able to be present.

I suppose it is on or about the day forty years since when you appeared at 235 Dock Street and began the long grind of which at that time none of us could see the outcome. First and last the Almighty has been pretty good to us and our associates and if the way has seemed hard at times, the results, judged by the present widespread activities of our firm, have justified the efforts. None of us then had any conception that we should one day be spread over the country nor that such an organization as we now take just pride in should one day be a reality and be working with such smoothness and singleness of purpose. Those were the days of few text books or other first aid of any sort and how we managed from day to day to accomplish what we did makes me think that we at least had some luck and that the aspiration, application and perspiration of those years were in some measure approved.

Great advances have assuredly been made in American accountancy in the intervening years to which our firm has contributed in considerable measure, and yet I feel that our main object has remained the same always, that is, to conduct ourselves decently in our community and in our relations with each other, do good work and let the results take care of themselves. In this no one has been more consistent than yourself, and I am sure I voice only the senti-

ment of those of the organization present on Saturday in wishing you a long continuance therein.

A pleasing incident of the party occurred when the members of the Philadelphia staff presented to Mrs. Edward Ross forty beautiful roses. Next followed the presentation to Mr. Ross of two fine bronze book ends which were the work of Miss Anna V. Hyatt, and on which was the following inscription:

1887 Presented to 1927

T. Edward Ross

by the present and former members
of the organization of the
Philadelphia office of

Lybrand, Ross Bros. & Montgomery

in celebration of the fortieth anniversary of his entrance into the profession of public accounting and in appreciation of the opportunities, encouragement and inspiration afforded them for improvement and advancement in the profession

January, 1927

Mr. Ross, in expressing his appreciation for the gift, spoke of the pleasure which he had always received from working with the members of the staff, and of the spirit of unity which had always been evident in the office. He referred, too, to the spirit of progress and forward reaching endeavor of the Philadelphia staff, mentioning as a demonstration thereof the fact that of the present members of the Philadelphia staff twenty-five are C. P. A.'s.

He then went on to review briefly



T. EDWARD ROSS

the forty years during which he had been affiliated with the accounting profession. His first appearance in the business world just prior to taking up public accountancy, was in the capacity of private secretary to a retired merchant of Bustleton, whose correspondence and other private business were not sufficiently heavy to keep his young employee constantly occupied. So in his endeavor to keep him from mischief which Satan presumably finds for idle hands to do, his employer set him to work compiling a Greek dictionary of the New Testament, a literary work which was destined to startle the world, had not Mr. Ross been obliged to cease his labors over it by entering the employ of Mr. John Heins, one of the pioneers in public accountancy in America. Laughter followed the reading by Mr. Ross of the recommendation which his taskmaster gave him and which was somewhat as follows: "During the time this young man has been in my service I have found him to be honest, industrious and obedient, and at his own request, I cheerfully give him this dismissal."

Mr. Ross made interesting comparisons of those early days in Mr. Heins' office, the modest office accommodations, the old-fashioned copying press which was the *bête noire* of more than one aspiring youth who caused the black and red ink to "run" (blessed be the inventor of carbon paper!), the size of the staff and other features of Mr. Heins' practice with the present times. Mr. Ross paid high tribute to Mr. Heins' ability as an accountant and his very fine character, and spoke of his strong personality.

He concluded his talk by summarizing the progress which had been made

during the past forty years by both the profession in general, and by our firm. He referred with evident pleasure to the service rendered to one client (still with us) over a period of 34 years. With the exception of one year when the work was done by Mr. Adam Ross, Mr. Edward Ross has personally supervised the work for this client over this long period of time. The engagement doubtless holds the record for length of continuity in our offices.

Mr. George Wilkinson, with whom Mr. Ross had come into contact early in the forty-year period, and with whom he had pleasant fellowship throughout the period, congratulated his host on the anniversary which he was celebrating, and commended him for the service which he and his firm had rendered to the profession. He traced briefly the growth and development of accounting from the time he first became affiliated with it, when accountants and auditors were regarded as being more of a luxury than a necessity, up to the present time, when they are universally recognized as an essential part of the modern organization of the business and financial world.

The next speaker was Mr. Henry C. Magee, who is this year serving as president of the Pennsylvania Institute of Accountants. He likewise congratulated Mr. Ross, and expressed the hope that the next forty years would find him just as actively engaged in the accounting profession as the last forty years had.

Mr. Staub, speaking for the partners and staff at the New York office, extended to Mr. Ross congratulations and good wishes, and in addition

(Concluded on page 9)

The New York Stock Exchange and the Work of Its Members*

By H. H. ALLING

(Manager of Pearl & Co.)

That the New York Stock Exchange is the greatest security market in the United States, if not the world, is an established fact, although many persons are unfamiliar with the details of the actual functionings of its members. As a foreword, a brief history of the New York Stock Exchange should be interesting: The first Stock Exchange in this country, with fixed rules of government, was organized by a group of dealers in Philadelphia, Pa., in the early part of the Eighteenth Century. In 1817, the New York Stock Exchange was established on the same lines of its Philadelphia predecessor. The standard of integrity and business principles was of the highest calibre—then and ever since its formation as it is to-day. While occasionally an unworthy member has been discovered, the Exchange ranks with the highest in any business in the world.

The membership of the Exchange is 1100—of whom perhaps 25% live out-of-town. There are possibly 5000 partners of members, and as the members are permitted to have branch offices as well as "wire correspondents," the business naturally comes from a wide and diversified source. In fact, orders come in from almost every corner of the civilized world.

The Exchange keeps a very strict

supervision over its members and all wire connections with non-members must have its approval. The Exchange has spent thousands of dollars in opposing Bucket Shops and has continually fought this form of evil.

The New York Stock Exchange is a voluntary unincorporated Association, without capital. It does no business, but its objects are the furnishing of exchange rooms and other facilities where its members can properly carry on their business as brokers and the inculcation of just and equitable principles of trade and business. The following is the opinion of the New York Chamber of Commerce regarding the New York Stock Exchange:

"This exchange is one of the greatest security markets in the world. Transactions on its floor are given the widest publicity. The members are liable to instant discipline if they violate the code of honorable conduct which they themselves have created. As a result its record of members' transactions is accepted without question throughout the world."

The management of the Exchange is in the hands of a Governing Committee of forty-two, of whom the President and Treasurer are elected annually, leaving forty others, of whom ten are elected annually; so that in two years the control of the Governing Committee can be changed, and a complete change in personnel takes place in four years. The Governing Committee organizes at its first meeting after an annual meeting—elects a Vice-

* Note: As many of the facts and figures contained in the foregoing articles were furnished through the courtesy of Mr. H. S. Martin, First Assistant Secretary of the New York Stock Exchange, the writer herewith acknowledges with thanks his sincere appreciation and gratitude.

President and appoints out of its membership, certain standing committees, which carry on the business of the Exchange. The powers of the Governing Committee are numerous and far-reaching. It has original and supervisory jurisdiction over any and all subjects and matters referred to the Standing Committees. It may appoint Special Committees, if desirable; can direct or control their actions or proceedings at any stage thereof; controls the finances of the Exchange; tries all charges against members and punishes the guilty, and is vested with all other powers necessary for the Government of the Exchange, the regulation of the business conduct of its members, and the promotion of its welfare objects and purposes. It has power to examine the books of members, or to cause them to be examined by a committee. Two of the Standing Committee have that power by reason of the Constitution, but it can also be delegated to a Special Committee should one appear to be desirable. The Standing Committees—thirteen in number—are as follows:

1. Committee on Admissions.
2. Arbitration Committee.
3. Committee of Arrangements.
4. Committee on Business Conduct.
5. Conference Committee.
6. Committee on Constitution.
7. Finance Committee.
8. Law Committee.
9. Committee on Odd Lots and Specialists.
10. Committee on Publicity.
11. Committee on Quotations and Commissions.

12. Committee on Securities.

13. Committee on Stock List.

There are also two Committees not appointed by the Governing Committee, but elected directly by the Membership—viz., The Nominating Committee and the Trustees of the Gratuity Fund—one suggesting candidates for the elective offices: the other conducting the death assessment feature of the Exchange.

A membership in the Exchange belongs to the member and not to his firm. As the Exchange is unincorporated, no certificate of stock is issued. He merely receives a letter from the Secretary stating that he has been elected a member. In the event of a death of a member, all other members are assessed \$10.00 each, out of which \$10,000 is paid to the family of the deceased as a free gift, not part of his estate and not subject to alienation. If the deceased member's firm has no other member of the Exchange, they become non-members and must pay the regular non-members commissions for any business executed for the account of the deceased or his estate.

The officers of the Exchange are, the members of the Governing Committee, President, Treasurer and Secretary.

The Secretary is the operating head of the Exchange receiving orders from the various Committees, promulgating their decisions, conducting their correspondence, keeping their records and in fact doing innumerable things connected with the operations of the Exchange. He must be familiar with its rules and regulations as well as its history.

The privileges of membership in

the Exchange consist of practically two things:

1. Having one's business done at member's rates, or doing it himself free of commission.
2. Participation in the death benefit.

The Exchange is located on the west side of Broad Street, between Wall Street and Exchange Place. The building extends through to New Street, at which entrance employees and telephone clerks of members enter. The building is of Grecian architecture and is built of Georgia granite. Its frontage on Broad Street is 140 feet and is 155 feet deep.

Twenty-nine trading posts are arranged on the floor of the exchange. The upper part of each post has twelve faces with provisions for names of two or more stocks on each face. There are also indications to show the price of the last sale of the day of each particular stock. The brokers at a post are called "the crowd." Trading in the stocks listed on each post, must be conducted at that post openly in the crowd.

On the north and south walls of the Exchange are immense electric annunciator boards, each occupying about 2000 square feet of surface. These boards work in unison and seem to open and shut their 1100 eyes as the numbers appear and disappear.

Each member of the Exchange is given a number which is connected with the member's telephone booth on the floor. The member's telephone clerk upon receiving an order simply presses an electric button and the member's number appears on each board. Needless to say, the members are constantly glancing at the board.

The telephone booths are located under the Galleries on the east and west walls of the Exchange—these booths are occupied by clerks of members. The booths are connected with the offices of members by direct line telephones. These clerks receive orders from their offices and also report executions, quotations and many other messages between the Broker and his office.

Upon the floor of the Exchange are four telegraph stands midway between the trading posts. On each is a Morse telegraph instrument, connected directly with the ticket printing machinery on another floor of the Exchange building. Reporters gather news of sales, and bid and offered prices, which is done so expeditiously, that almost instantaneously, with the making of a sale, the news appears upon tickers throughout the City, and is sent to other Cities by the telegraph companies and over the lines leased by members for the purpose. The Exchange is the only great market in the world, which, as soon as a transaction is made, sends out news of the sale and the price at which it was made. On none of the foreign exchanges is this done.

Only members of the Exchange, their telephone clerks, officers of the Exchange and floor employees are permitted on the floor.

As an illustration, let us follow the course through which an order passes from the time of its receipt from a Customer:

Supposing a Brokerage Firm received an order from a customer to BUY 1000 shares of U. S. Steel at the market.

The office upon its receipt enters the order on a "BUY" ticket and im-

mediately stamps the date and time on the ticket with a stamp used for that purpose. The order clerk immediately transmits the order by telephone to the Broker's clerk on the floor of the Exchange. The telephone clerk on the floor then enters the order on a BUY slip bearing the firm's name and immediately sends the written order in on the floor to his Broker for execution. If the clerk is not sure at which post his Broker is located, he pushes the signal button which puts up the member's number on the annunciator board as explained above. Or, if the Broker cannot be located or is known to be absent from the floor, the order is given to a \$2.00 Broker for execution. The term "\$2.00 Broker" is still used, although the commission charged for executing transactions for other members is now based on the following scale:

On stocks selling under 50c per share may be mutually agreed upon.

On stocks selling between 50c and \$1.00 per share, not less than $\frac{1}{2}$ c per share.

On stocks selling between \$1.00 and \$10.00 per share, not less than $1\frac{1}{4}$ c per share.

On stocks selling between \$10 and \$125 per share, not less than $2\frac{1}{2}$ c per share.

On stocks selling above \$125.00, not less than 3 cents per share.

The Broker goes to the Steel post and endeavors to buy the stock. He, of course, tries to do the best he can for the customer. When he reaches the Steel crowd, he asks "How is Steel?" Some other broker says "148 $\frac{3}{8}$ bid, offered at $\frac{1}{4}$." The Broker bids 148 $\frac{1}{4}$ for one hundred.

The seller says to the buyer "Sold you 100 at 148 $\frac{1}{4}$." Both Brokers immediately sending to their telephone clerks a written report of their execution and the name of Broker with whom the trades were made. The sale thus made would be recorded on the ticker tape almost instantly after execution of the trade.

The telephone clerk would then telephone back to his office the report of this execution and also name of Broker with whom consummated. The office would in turn report the executed transaction to the Customer and after regular comparison or verification of the purchase, in this case with the selling broker, a written or typewritten notice would then be mailed to the Customer's address.

Some Brokers specialize in certain stocks on the floor—these brokers are termed "Specialists." They devote their entire time caring for orders in their particular stocks. Other Brokers find it advantageous to their customers to give limited orders to Specialists for execution. The reason for this being that the Specialists very seldom leave their posts and would not be as apt to miss their market as sometimes occurs with a regular Broker who has many posts at which he must trade.

The Floor of the Exchange might be compared to a Department Store. Instead of having various counters at which different classes of goods are sold the Exchange has its various posts at which stocks of Railroads, Steel, Oil, Banking concerns and many other industrial enterprises are traded in.

The law of supply and demand operates here as in any other market. A smaller number of buyers, as compared with sellers, puts down the price;

while a smaller number of sellers as compared with buyers advances it.

Bonds are also traded in on the Floor of the Exchange. The bond crowd, however, is separate from the stock trading section. It is estimated that the par value of stocks and bonds listed on the Exchange is approximately \$50,000,000,000.

A broker not only receives orders but also receives inquiries as to the state of the market, requests for quotations, reports, etc. On a busy day, it is estimated that not less than from 80,000 to 100,000 messages are sent in to the Floor of the Exchange and out of it.

A broker, besides executing orders, is also supposed to keep a watch on what is occurring in various parts of the room and he must form his own opinion as to the forces which are at work in the market and as to the probable cause of the rise or fall of prices.

It is quite apparent that although the hours of trading on the Exchange seem short (from 10 a. m. to 3 p. m.) the average broker is a very busy and active man. His responsibilities are indeed great.

Secured Account Receivable

Mulligan (to grocer): "If Oi lave yez security equal to what Oi take away will yez trust me till next wake?"

Grocer: "Certainly."

Mulligan: "Well, thin, sell me two o' them hams an' kape wan o' them till Oi call again."

A Professional Birthday Party

(Continued from Page 4)

spoke of the debt which he personally owed to Mr. Ross for the aid and advice which had been so gladly given during the time he had been associated with him. He mentioned especially some helpful things which he had learned from Mr. Ross in the early days following his entry into the Philadelphia office of L. R. B. & M., namely, the value of time, sticking to the job, thoroughness and care.

The occasion will long linger in the minds of those privileged to be present as one of unusual pleasure and interest. Good wishes for many more days of joyous activity in his chosen profession go out to Mr. Ross from those who were privileged to be his guests at this celebration of the fortieth anniversary of his advent into a profession to which he has made a real contribution.

E. F. S.

Fully Qualified

Manufacturer (to applicant)—I am inclined to give you the position if you understand double entry keeping.

Applicant—I do indeed! At my last place I had to do triple-double entry—a set for the active partner, showing the real profits; a set for the sleeping partner, showing small profits, and a set for the income tax officials, showing no profits.



Travels of an Accountant

By WALTER A. STAUB

(Continued from May, 1926, issue)

Early in my experiences as a public accountant, I learned that the profession is a jealous mistress of her servants. Instead of returning home from the Congress of Accountants at St. Louis with my bride of less than six months, I received word from the office that a special examination was to be made, for some banking interests, of a large lumber company and an affiliated railroad in the southwestern part of Mississippi, and it was suggested that it would expedite the work if I would go there directly from St. Louis. Hence, on Saturday morning I put Mrs. Staub on a train bound for Philadelphia and in the afternoon I took one bound for the land of cotton.

On Sunday morning I arrived in Hattiesburg, a town at that time of about 10,000 inhabitants, but nevertheless the third city of Mississippi in point of size. It is only a little over a hundred miles from New Orleans. The town contained two hotels, both being of that class where you go to one and then wish you had gone to the other. I settled on the one with the alluring name of The Klondike. After getting somewhat acquainted with it during the day, I devoutly hoped the work which had brought me to Hattiesburg would soon be finished. However, a pleasant surprise was awaiting me.

Bright and early Monday morning I presented myself at the office of the lumber company. The manager, a Mr. Major, was a young Northerner of a fine type—energetic, resourceful, and pleasant in his contacts with

others. Among other things, he told me that he had arranged for me and my assistant—who arrived a day or two later from Philadelphia—to live at the home of Colonel Burr while we were engaged on the examination. Colonel Burr, who was also a transplanted Northerner, was land agent and paymaster of the company. I recall him as an interesting character of the New England or Northern New York type—tall and lean, with gray mutton chop whiskers, wide awake and with a quiet but keen sense of humor. I still remember that, no matter how sumptuous a dinner Mrs. Burr was serving, Colonel Burr's evening meal was invariably a bowl of bread and milk. Mrs. Burr was a woman of refinement, who presided well over her household, including the negro domestics, and who was a perfect hostess to my assistant (C. C. Carson, who will be remembered by old time members of the Philadelphia office staff) and myself.

The work on this engagement was decidedly interesting. The lumber company's operations were quite self contained, starting with the cutting of logs on the company's own lands, transportation over its logging roads to the railroad affiliated with it and by the latter to the mills, of which there were two located about twenty miles from each other. At the mills the logs were cut into boards and timbers and a portion in turn put through a planing mill for the production of dressed lumber. Goodly stocks of lumber were carried at both mills and during our

examination we verified them by physical count. I thought I was doing Mr. Carson a kindness by sending him to the other mill to verify the lumber stock there, as it was only about half the size of that at Hattiesburg, the count of which I intended to verify myself. When, however, Carson returned the second or third day I congratulated myself on having remained in Hattiesburg. He had a harrowing tale to tell me of food at the hotel (or boarding house) having been so bad that he had hardly eaten anything during the time he had been away and of being morally certain that the bed in which he had to sleep had just previously been vacated by a lumberman who was on the night shift.

Although I had been on a number of electric railway audits, this was my first opportunity to audit the accounts of a steam railroad. The road had only about fifty miles of track, but it carried both passenger and freight traffic. Its accounts were under the direction of a man who had gained his training and experience with several large roads, so that the accounts were well kept. The various special features of railroad accounting, such as the auditing of freight and passenger revenues, car service charges to and by the road, etc., were carried out in accord with good railroad accounting technique and I was glad to have the opportunity of becoming familiar with them.

The work took somewhat longer than I had anticipated and we finally set a date by which we determined to complete the examination. In order to "make good" on the goal we set for ourselves, we worked straight through the night preceding the day of our leaving, thus putting in about twenty-

four hours work at one stretch. It was early in November and although we were in the far South the nights were cool. Recollection brings back to mind the picture of Carson and myself replenishing the fuel in the wood stove in the office at intervals during the night. The trip home was uneventful but, like all my trips South, was pleasant because the view of the South which I have always enjoyed most was from the rear platform of a northbound train. This is not intended as a reflection on our Southland but is merely an indication of how strongly "Home, Sweet Home" has always affected me.

It was about this time that I began making a trip every three months to Indianapolis. That city was the seat of the national headquarters of a number of the large labor unions. The diversified nature of the concerns among the public accountant's clients is indicated by the fact that one of these unions had us audit the accounts of its national secretary and treasurer for quite a number of years. This audit was simple in principle but it required the exercise of some judgment as many of the expenditures to be passed on were of a different nature than those found in a business enterprise.

It was on the occasion of one of these quarterly audits that an ingenious and, at first sight impossible, theft from the union's bank account was brought to my attention. It was at a time when advertising by banks was in its infancy. Several of the banking institutions which had begun to advertise were doing so in periodicals of national circulation and were inviting the opening of deposit accounts by mail. A clerk in the office of the

union's treasurer, who had no connection with the keeping of the organization's accounts, drew a check in the treasurer's check book to the order of the beneficiary of a deceased member of the union for the death benefit payable under the union's insurance plan. Actual payment had been made on an earlier date and by taking from the files the claim papers prepared at that time and making some modifications and amplifications they served as authority for signature of the above mentioned check by the treasurer.

The clerk then opened an account with a bank in Cleveland by mail in the name of the payee of the check, necessarily forging the endorsement. The next step was for the clerk to draw a check on the Cleveland account (the signature to which was of course not his own name, though written by him) making it payable to himself (right name) and depositing it to his own credit in a small checking account which he had with a bank in Indianapolis. The remaining step was merely to draw the money out of the Indianapolis account which he did as soon as the few days required for the mail transactions between Indianapolis and Cleveland had elapsed. Fortunately, the theft, ingenious though it was, was discovered in the month following its perpetration so that no repetitions of this performance occurred. I merely mention this incident to indicate how ingenious and elaborate schemes of theft may be and how the apparently impossible may occur. Eternal vigilance is essential by the professional auditor.

Indianapolis seemed to me to be one of the few cities in our country which have been laid out on a well considered plan. The wide streets might well

be envied by those cities which are struggling with problems of traffic congestion. Also, the diagonal avenues running to all points of the compass from the center of the city facilitate getting to any part of it in the shortest time possible. In the heart of the city is one of the largest and most elaborate soldiers and sailors monuments in the country. It is fully 300 feet high and can be ascended on the inside. On the occasion of my first visit to Indianapolis, I tested my powers of endurance by climbing to the top of the monument and getting a view of the city from that vantage point.

In spite of the great amount of traveling I have done in the past quarter century, totaling I imagine quite a few hundred thousand miles, I have never been in an actual railroad or steamship wreck. In this respect I have been more fortunate than Mr. Pugh who had a narrow escape from death when a train on which he was traveling overnight from Philadelphia to Pittsburgh some twenty years ago was wrecked near Harrisburg, Pa. The train on which he was traveling side-swiped some freight cars containing high explosives which were on an adjoining track. A number of the passengers were killed outright and others fatally or seriously injured by the wreck caused by the explosion which followed the contact. Mr. Pugh fortunately was uninjured and was able to help the less fortunate.

I recall, too, that in 1912, when I was in charge of our Chicago office, I found awaiting me at the office one morning, a telegram from Colonel Montgomery, dispatched at Cleveland and stating that he was uninjured and would arrive some hours later. I knew he was en route to Chicago but

was mystified by the telegram because I had read nothing in the morning papers of any railroad wreck. On calling up the Tribune office, however, I learned that the westbound Twentieth Century Limited had been wrecked somewhere near Cleveland, between midnight and morning but too late for reports of the accident to appear in the early edition of the Tribune which was delivered in the suburb of Oak Park where I then lived.

Of the only two approaches to railroad accidents which I remember experiencing, one occurred only two or three years ago on my way home from the New York office. Just a short distance after leaving the D. L. & W. Railroad terminal at Hoboken and emerging from the tunnel through the Bergen hills, the last coach on the train—and, contrary to my usual practice, I was riding in the last coach that evening—was derailed and the next few minutes were hectic ones. The coach seemed to sway more wildly than any ship I had ever been on. Fortunately, someone with exceptional presence of mind pulled the emergency bell rope and brought the train to a stop.

The other occasion to which I have alluded was in 1906 at Columbia, Tenn., when I was enroute from Birmingham, Ala., to Cincinnati on the Louisville & Nashville Railroad. I had considerable difficulty getting a berth on the train at Birmingham, partly because I left there a day sooner than I had expected so that I hadn't secured a reservation and partly because the Mardi Gras festival in New Orleans had just closed and all north-bound trains were "loaded to the guards." As it was, after having induced the ticket agent to sell me a ticket for an upper berth which was

the sole space remaining open on his diagram, but which he thought had possibly been sold or reserved at some other point, I boarded the train only to find another man also claiming the same upper. I don't know where "another man" slept that night because, though two tickets were outstanding for the same berth, I succeeded in some way or other in convincing the Pullman conductor that I had the better title to the space.

About four o'clock in the morning as I was enjoying my hard won lodging, the porter woke every one in our car with the news that a bridge just ahead of us had been afire during the night and was so damaged that it wouldn't be safe to send a train over it. Enough of the bridge remained, however, to permit of crossing it on foot, so we were to cross in that way and take a train which had stopped on the north bank of the river. The passengers of that train were to cross to the south train and take our train and both trains would then reverse and go in the opposite direction in which they had been going when they came to the bridge. The plan was not carried out strictly according to schedule because instead of leading us across the bridge as soon as we had dressed, we were kept waiting until about seven o'clock. Evidently, the conductor was of the opinion that we were not all in a class with Blondin, the man who crossed the Niagara Gorge on a tight rope, and concluded it would not be safe to take us across the remains of the bridge in the dark.

Being awake, restless and getting hungry, and there being no diner on the train, the passengers located an enterprising groceryman, who opened up about 5 A. M. and soon had him

sold out of cheese and crackers. We reached Nashville, where we had breakfast, at ten o'clock and Cincinnati in the evening, six or seven hours late. Instead of reaching Philadelphia the second morning after leaving Birmingham, as I had expected, I didn't get there until late afternoon, so that the few hours delay at the burnt bridge meant the loss of a business day at the end of the journey.

I do not now recall whether it was in 1907 or 1908, but I think the former, that I got a bit of a thrill out of a trip to the mountains of West Virginia. I had been assigned to make a special examination of the accounts of a close corporation for a stockholder who, after many years of friendly relations, had become unfriendly with the group of stockholders which was then active in the administration of the company. Because the company was incorporated under the laws of West Virginia, the litigation which ensued as a result of the developments from our examination, had to be instituted in the courts of that state. I accompanied our client and eminent counsel from New York on the trip to West Virginia in order that I might testify in court with respect to our examination. We went via the C. & O. to Thurmond, where we remained overnight. This was well in the mountains and I distinctly recall my companions and myself being quietly told that it would be safer if we remained in the hotel during the evening rather than go out for a walk. I was never quite sure whether the caution was because of the community being a lawless one or whether it was felt that the situation had become so tense between the opposing parties that there was no tell-

ing what extreme means might be resorted to in order to cripple the presentation of our client's side of the case. At all events, so far as I was concerned, I didn't require the application of a brick bat to my cranium to aid the entry of a helpful suggestion and I remained "in" for the evening.

The next day we went by team across the mountains to the little town which was the county seat where the trial of the case was to take place. Perhaps the mountain air permitted clearer thinking than nearer sea level, because after some preliminaries the parties agreed to a settlement out of court. I was not called to testify but had the satisfaction of knowing that the examination by our firm had played an important part in leading the other side to make a settlement which was satisfactory to our client.

(To be continued)

At What Point Does a Repair Become a Replacement?

A certain cooper wants to know. He advertised to repair any barrel brought to him in however dilapidated a condition and make it as good as new at a fixed flat charge for all cases. He only mildly demurred when a customer brought him a hoop and two staves to "repair" into a barrel. But now another has brought him a *bung* only and expects him to make good. We are referring him to the *Journal of Accountancy*.

Every man owes some of his time to the upbuilding of the profession to which he belongs.

—Theodore Roosevelt.

The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. and Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvements; to encourage and maintain a proper spirit of cooperation and interest and to help in the solution of common problems.

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Edison

The following editorial, which appeared in the *New York World* just before the eightieth birthday on the eleventh of last month of Mr. Thomas A. Edison, is being reproduced because of the unusually effective way in which it summarizes the service rendered his generation by Mr. Edison and the debt which the world of the present day owes him.

This week Thomas A. Edison celebrates his eightieth birthday. The fame he enjoys is well deserved. Everyone who uses an electric light, watches a motion picture, listens to a phonograph, speaks over a telephone or rides over an electric railway is in part his debtor. His discoveries are at the base of industries which employ millions of men and hundreds of millions of capital. He is a central figure in an age of applied science. For decades his country has regarded him as one of its first citizens.

Mr. Edison emerged upon the American scene just after the Civil War. As a young telegraph operator he read the works of Michael Faraday and patented his first inventions. The country was just fully measuring its resources. The transcontinental railway was being built. The first oil millionaires were appearing, Carnegie and Frick were beginning their careers in steel and coke. The country was also just entering the new industrial era of standardized production. The war had left it a heritage of great clothing and shoe factories, of munitions factories that turned to farm implements, and of iron mills that turned to the new Bessemer process. It was just beginning to realize the potentialities of chemistry and technology. Pittsburgh and Midvale employed the first metallurgical chemists; William Sellers did the first creditable work with tool steel; the first chemical-dye factory opened. Electricity, a toy when Tyndall made his American tour in the early seventies, became an industrial power when news came from Austria of the first dynamo.

The time was ripe for the individualist, the pioneer, on the inventive frontier of industry. In especial it was ripe for a genius of such versatile industry as Mr. Edison. Not merely did he have in pre-eminent degree what psychologists call the "instinct of contrivance"—the same instinct which made great inventors of the barber Arkwright, the instrument maker Watt, the school teacher Eli Whitney and the artist Morse. He had a remarkable sense for the pressure of the new industrial age; for invention depends upon industrial and social demands. He had, too, an unusual ability to build upon the general technical and scientific advance. He brought to his opportunities the method and patience of a scientist. He used his first \$40,000 to build a laboratory and shop. Though he once jokingly called himself "pure practice" as contrasted with Dr. Steinmetz's "pure theory," nobody kept more thoroughly informed upon the progress of science and the "state of the art." Some of his inventions represent years of ceaseless, drudging experiment. To apply the electric light to general use he worked unremittingly upon dynamos, distributors, switches, feeders, fuses, meters and the other parts of a complete electric system. But he always remained an individualist.

The age which produced Edison is plainly drawing to a close. Industry is less and less willing to depend upon the accident of the individual genius. Invention is becoming systematized and standardized. More and more it will be accomplished in large industrial laboratories or subsidized university laboratories by specialists of long intensive training, who know just what problems need solving and just what tools and methods to use. Our own country has already surpassed Germany in the establishment of such laboratories, and it is increasingly difficult for the outsider to compete with their experts. The genius will continue to appear, but he will be as rare as a comet. Men can look back upon Mr. Edison as perhaps the greatest American representative of the old era—and one of the real founders of the new.

On Mr. Edison's birthday, the *New York Times* contained an editorial which spoke of the nature of Mr. Edison's work during his long life. The following sentences, and especially the concluding statement in Mr. Edison's own words taken from that editorial, are well worth quoting:

In the annals of invention there is no figure like his. We must go back to Leonardo to find a mind so technically imaginative. But neither Leonardo nor any later technician displayed the hardheaded practicality, the driving power, that made Edison probably the greatest inventor the world has ever seen. * * * * He never worked blindly and never unwittingly reinvented what had been described in print. No one has more aptly defined the part that he as an inventor has displayed in the development of this country. "I bring out the secrets of Nature," he once said, "and I apply them to the happiness of others."

It is a matter of pride with us that for many years past our firm has acted as auditors of the extensive Edison industries.

Controller and Management

Accounts and financial statements form the language in which business speaks. The more highly developed business becomes and the more complex its organization, the more vital do accounts of adequate and informing scope become, and the more must they form a means of control by and an aid to management.

The recent book on "Principles of Organization Applied to Modern Retailing" by Mr. Paul M. Mazur of the well-known banking firm of Lehman Bros. takes an advanced position on the

functions of the controller. In Mr. Mazur's opinion, in which the writer fully concurs, the controller should be not merely a supervisor of the recording of the transactions of a business but he should also be a factor in its management. Because the activities of all the various departments and services of a highly organized business, expressed in financial terms, pass in review before the controller Mr. Mazur believes his opinion and judgment should be of value in the formulation of policies and decisions by the management.

To be sure, the foregoing expresses what may to some seem to be merely an ideal and to which many controllers may not measure up. In a way this is true and Mr. Mazur recognizes it in his book. The significance of the position taken by him is that he believes the controllership should be endowed with greater responsibilities and then the right man found or developed to realize its possibilities.

An illustration of the increasing realization of the possibilities of accounting control and its aid to, or part in, effective management is the following advertisement which occupied a prominent position in the *New York Times* a few days ago:

COMPTROLLER—TREASURER

An old established midwestern manufacturer desires to secure the services of a man to take charge of finances, accounting and cost work. This man should have had a wide industrial experience and a very fine appreciation of values. He must be of the executive type. An appreciation of figures and the psychology of their use is very necessary. To a man who has had sufficiently broad experience and who has a very fine appreciation of the proper setup of monthly figures for control purposes, a splendid opportunity is afforded.

The great advance which public accountancy has made during the past quarter century has also seen a development in the recognition of the possibilities of the work of the controller. Cooperation of the public accountant and the corporation controller in their work is of value to the business world. Mutual helpfulness is their natural relation to each other.

Billion Dollar Corporations

The New York Herald-Tribune comments as follows on the several American corporations which are in the billion dollar class:

When it was recently revealed in the Ford tax hearings at Washington that John W. Prentiss, New York, head of the brokerage and investment firm of Hornblower & Weeks, had placed a definite value of more than \$1,000,000,000 on the business of the Ford Motor Company he added one more corporation to the growing list of the country's billion-dollar enterprises, in which the motor industry has two representatives.

A compilation made public yesterday by Dow, Jones & Co. revealed that, including Ford, there are at the present time at least seven manufacturing and transportation companies which may be properly classified as billion-dollar corporations, based on the selling prices of their securities.

The American Telephone & Telegraph Company leads the list, with a market valuation of approximately \$2,000,000,000. United States Steel ranks second, with securities worth \$1,778,803,000, and General Motors is third with securities having a market value of \$1,521,316,000. The New York Central Railroad, the Pennsylvania system, the Standard Oil Company of New Jersey and Ford make up the balance of the list.

The 1926 annual report of the American Telephone & Telegraph Co., which has just been published, bears the L. R. B. & M. certificate on the balance sheet.

Notes

Mr. Sweet is one of the judges (the others being Professor T. H. Sanders, of Harvard University, and Colonel B. A. Franklin) appointed to make the awards in the Scovell Prize Essay Competition, which was held under the direction of the National Association of Cost Accountants. It is stated that the judges have already started work and that the awards will be announced in the near future.

Mr. Staub was one of the speakers at the November meeting of the New York State Society of Certified Public Accountants. His address on "Some Phases of Accounting Investigations for Refinancing, Consolidations or Mergers" appeared in the January issue of the *Journal of Accountancy*. It also appeared in the January issue of the L. R. B. & M. JOURNAL as the copy for that issue had already been prepared for the printer, including Mr. Staub's address, at the time permission was requested for its publication in the *Journal of Accountancy*.

During November Mr. Staub represented the American Society of Certified Public Accountants and the New York State Society of Certified Public Accountants at the session of the National Tax Association Convention in Philadelphia which was devoted to consideration of simplification of the federal income tax. He made various suggestions for improvement in law provisions and for simplification of administration. Mr. Staub's suggestions are included in the proceedings of the tax session, of which a copy is expected to be sent by the Associa-

tion to the Joint Congressional Committee on Internal Revenue Taxation which was established by section 1203 of the 1926 Revenue Act.

Colonel Montgomery delivered an informal talk on Federal income tax matters at a meeting held at the rooms of the newly organized Accountants' Club on January 19, 1927. A general discussion on Federal taxes followed.

At the regular monthly meeting of the New York State Society of Certified Public Accountants, held at the Waldorf Astoria Hotel, New York, February 14, 1927, the discussion relating to the Federal Revenue Act was led by Colonel Montgomery and Dr. Joseph J. Klein.

One of Mr. Gee's important side activities is that of Director in Charge of Publications of the National Association of Cost Accountants.

On December 9th Mr. Staub read a paper before the American Mining Congress at its annual meeting in Washington. The subject of the paper, which was published in the January issue of *The Mining Congress Journal*, was "Credits, Refunds and Waivers."

Under Colonel Montgomery's presidency the Accountants Club, which is but a few months old, already has approximately 500 members. At the present time the Club's quarters consist of a suite of rooms in the Belmont Hotel.

The Dictating Machine

By HAMILTON HOWARD

(Manager, New York Office)

My first introduction to a dictating machine was in 1912 or 1913, over in London. A friend of mine, great intellectual soul and a charming man, but with a tendency to mild profanity whenever anyone unannounced dared to open the double doors leading to his sanctum, experimented with one, make unknown. I was told that his dictation was recorded something like this: "I am in receipt of your appeal for the X charity—what the d—— do you want; get out of here until I've finished—but regret that the present demands upon me make it impossible for me to comply with your request." He gave up the dictating machines very largely because he had become so used to dictating his correspondence while pacing his room, hands behind his back and shoulders bent. The failure was, as I know now, not due to the machine but to his inability to dictate quietly and without the assistance of a secretary.

On my return to this office sometime in 1923 from a vacation (or rather *the* vacation) I found that a battery of dictating machines had been installed "on approval" and that one of these iron stenographers had been assigned to my use. In due course I was instructed how to remove the receiver in order to start the motor, how to press the switch to start the cylinder revolving, how to put the machine in reverse so that it could talk back to me, and was initiated into all the mysteries of the cabalistic signs to be used for corrections (there were many in

those days), for extra copies and so forth. The early experiments were nearly disastrous to myself, the operator and to the success of the machine in our office. After having said my little pieces to the machine, I found that either I had not started the cylinder revolving or had the lever in reverse so that no recording was possible. If it did happen that something was on the cylinder, then the words of wisdom were unintelligible to the operator so that it was necessary to redictate the material to the operator so that she could determine what I believed I had said.

But those days of trial and tribulation were soon over and the real benefits of the machine became apparent. Thereafter I became a booster for the dictating machine.

From my experience with the dictating machine, I think that hardly too much can be claimed for it. It is always available, day or night, makes no dates that it has to keep, entails no waiting for the appearance of a stenographer, can be interrupted without loss of time when the telephone issues its unappealable summons, and never complains.

If all the cylinders which have been recorded in our New York office were available for repetition, the diversity of material would surprise the uninitiated. From the formal petitions in Board of Tax Appeals cases down through briefs, protests, letters and interoffice memoranda, even to the very informal "please send me a cata-

log of your gladiolus bulbs," all go into the dictating machine and what is even more important, are transcribed in very satisfactory shape by the operator.

There is even humor to be obtained from this machine. I remember one Saturday afternoon being requested to wheel the "baby carriage" into Colonel Montgomery's room as he desired to try it out. After the necessary preliminary instructions, the Colonel dictated some material and then asked how he could hear what he had dictated. The lever was put in reverse and the Colonel listened. I shall never forget the somewhat amazed smile which spread over his face as he heard his own voice for the first time. Until you hear your own voice reproduced on a dictating machine or by a talking machine (or perhaps through radio broadcasting if you are in that class of the elect,)you do not know what your spoken word sounds like to others.

To my mind, there is a great advantage arising from the use of the dictating machine, an advantage entirely additional to its time-saving virtue and to its convenience, namely, the improvement in dictating ability which comes to the user. We are, most of us, too prone to dictate in a halting, disjointed, stereotyped manner, leaving much to the imagination and ability of the "hand" stenographer. This dependence has to cease to a large extent with the use of the machine. All that the operator can transcribe is what is recorded on the cylinder. She cannot guess your meaning from gestures or from seeing the letter or other document upon which the dictation is based. The cylinder must be made to record exactly what you de-

sire to say and in the way you want your dictation to appear in the finished typewriting.

The dictator has to train himself so to marshal his data that he can talk clearly and unhesitatingly into the machine. He has to visualize the appearance he wants his material to take when typed; he has to foresee the necessity for punctuation and paragraphing; he has to insure beforehand that there will be the requisite continuity in his spoken phrases when they appear on paper; he has to estimate in advance the effect of his written message on the reader. All of this means nothing to the born dictator. But most of us are not born dictators; we have to be trained. There is no better school of dictation than the dictating machine.

I believe that those of us who use the dictating machine are better dictators because we do so and I recommend this course of training to anyone who desires to be more proficient in this art. But I must not forget to add a word of praise for the typist to whom the cylinders go from the dictating machine, because all our good intentions would become naught if the cylinders were not transcribed by an intelligent operator.

It is not required of every man and woman to be or to do something great; most of us must content ourselves with taking small parts in the chorus, as far as possible without discord.

—Henry Van Dyke.

Mr. C. S. Carlson passed in all subjects of the New York State C. P. A. examinations held in November, 1926.

